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Day-trader is new symbol of a roaring market

Handling hot stocks



STAFF PHOTOS/THOMAS BENDER

Day-trader Jim DePorre, who works out of his home, plays pool as he researches a company.

By Michael Pollick

STAFF WRITER

From 9:30 a.m. to 4 p.m. Monday through Friday, "Rev Shark" sits glued to the swivel chair in his own private stock trading room.

Three 20-inch computer monitors blink back at him, conveying costly, up-to-the-minute information into the room, and the Rev knows exactly what to do with it.

The Rev — who does all this from his home on Anna Maria — is a day-trader, a person who makes his living by moving in and out of hot stocks with great frequency. As the blue-chip Dow Jones industrial average closes in on 10,000, people like The Rev have become symbols for the market's wild gyrations.

Day-traders are actually a diverse crowd of market players. What they have in common is speed. Overnight is a long-term investment. They are interested in turning a momentary advantage into dollars, relying on a combination of computerized services that were unavailable to the average per-



Jim DePorre runs a section on America On Line called the Shark Attack, where he maintains a model portfolio and hosts chat rooms.

son only a few years ago.

Some work from trading offices like Sunstate Equity Trading in downtown Sarasota, using newfangled computer networks that pair up their buys and

sells directly with the market-makers in a given NASDAQ stock. While the front-end costs are high, these sys-

PLEASE SEE TRADING ON 10A

tems allows the day-trader to buy and sell instantaneously, and on a par with professionals anywhere.

Budget players might sit at home watching CNBC, which now offers real-time stock quotes across the bottom of the TV screen, and tap out buy and sell orders to one of the online brokerage firms, which are riding the wave of interest in short-term trading.

Online trading volume, which is not the same as day-trading but includes day-trading in its numbers, grew by a third in the fourth quarter of 1998, according to a study by Credit Suisse First Boston.

Rev Shark, known to his neighbors and family as Jim DePorre, uses a combination of methods. He subscribes to expensive incoming data services and places his orders with one of five online brokerages, including Charles Schwab and E-Trade.

He places his bets mostly on the basis of news, buying a starter position as soon as he is aware of a change in sentiment in a stock whose chart he likes, then selling into the strength that often follows.

At any one time, he might own 70 to 80 stocks.

For him, there is little danger in this path, because he has built up a huge cash cushion in five straight years of profits.

But he worries about the newcomers to the game, those who perhaps just quit their jobs to go full time as day-traders, often putting all their money on the line at once.

"You've got to know what the hell you're doing," he said, as he flipped from screen to screen the way a sports fan flips channels on a busy Sunday. "A guy who just throws money at stuff is gonna get nailed."

At Sunstate, manager Don Ed-

wards said that all his available day-trading desks are occupied.

"There's a boom in this right now," he said. Edwards declined to allow a reporter or photographer to visit his offices, or to engage in a full-scale interview.

Some worry about the day-trading boom.

"It is absolutely insanity out there right now, with these day-traders," said Irv DeGraw, research director for Stockstowatch.com, an Internet-based investment research firm based in Sarasota. "People are running up stocks that are misidentified."

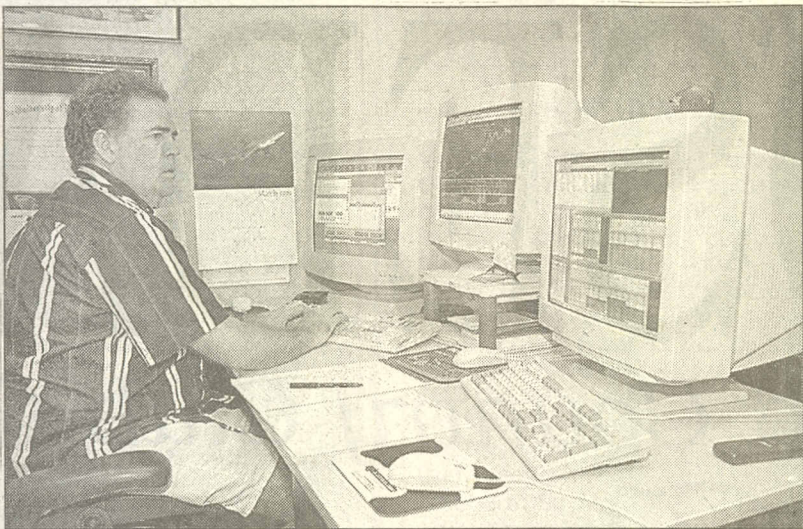
As an example, he cited Mannatech, which couldn't even find a normal stock brokerage firm to underwrite its initial public stock offering. So Mannatech went public on its own.

The day-traders, looking for Internet stock action, took hold of Mannatech and ran it up from \$8 to \$44, before the realization spread that the company was a multilevel marketer of nutritional supplements.

"The shares crashed back to reality and a lot of wealth instantly evaporated," DeGraw said in an online article.

Stockstowatch, which is itself an Internet information site that would have appeal to the day-trader, offers daily notes on new stock offers and provides opinions on hot stocks. The company ran into trouble with the Securities and Exchange Commission last fall, before DeGraw joined it, by recommending shares in a Sarasota-based penny stock, Surgical Safety, then cashing in on shares the Web-site company had received.

While DePorre wheels and deals constantly, he looks askance at the traders who share space and opinions at Sunstate, under Edwards' tutelage.



STAFF PHOTO/THOMAS BENDER

Jim DePorre works with three computers at once, gathering information from several sources before making stock-buying decisions.

"He makes his money on turnover," DePorre said of Edwards. "It's in his best interest to get these guys to trade, trade, trade."

"That is highly inaccurate," said Greg Kelly, owner of Sunstate. He charges \$12 to \$20 per trade in commissions, but says those commissions also give his traders instant executions at the best possible price.

"It is definitely like . . . a Ferrari."

America On Line

On his left screen, the Rev is usually tuned into the Internet chat room on America On Line that he himself created, called The Shark Attack.

There, he maintains a model portfolio of stocks, runs a monthly stock picking contest, and hosts a number of chat rooms, where his groupies are constantly peppering him with queries.

DePorre, 42, became a full-time stock trader by a quirk of fate. He had been practicing law in Ann Arbor, Mich., when he went totally deaf.

He lost all interest in trying to socialize.

He got hooked on Prodigy, a pre-Internet online computer service with chat rooms. He became a frequent contributor to Prodigy's Money Talk bulletin board, where he enjoyed being able to chat back and forth on a par with everyone else.

After seven years of silence, he had a new electronic device implanted within his skull that allows him to hear reasonably well on his left side.

By then, though, he was already a confirmed online stock trader. He had also developed his tandem business, the AOL site.

He started this back when AOL

charged \$2.95 an hour to subscribers after they went past five hours of online time. DePorre received a portion of that \$2.95 if his section of AOL was responsible for keeping subscribers hooked up.

Now he has a more intricate contract that allows him to generate revenues by selling merchandise such as software, or by signing up advertisers.

Of course, having your own set of stock market groupies doesn't hurt when you have an interest in a stock, either.

DePorre has covered the legalities of showing off his model portfolios on AOL with a comprehensive disclaimer: "We do not recommend that you buy or short a stock simply because we trade it in our portfolios. We do not operate this forum as investment advisers and do not purport to advise people, or suggest to people, what they should invest in or trade for their accounts."

Even so, advice happens.

"Rev, are you still holding this one?" asks RC21Z.

"Sure would like to know how the Rev feels about this one," writes Lolby. "He's still holding it according to the portfolio. My hands are getting bloody trying to catch a falling knife."

Rev Shark, assisted by a former AOL groupie turned business partner named Joe Pistell, is also busily launching a new Internet site called SuperTraders.com, whose motto is "Real traders — Real Profits — Real Time."

At first, the site will be free, but eventually Pistell and DePorre will charge a healthy monthly admission fee.

"People kill for these ideas," DePorre said. "These ideas are worth a

lot of money."

To its bare essence

The ability to trade online has existed since 1975, when the federal government deregulated stock commissions paid to brokers, according to Joseph Battipaglia, chief investment strategist for New York-based Gruntal & Co.

But it is only recently that technological change has "created an atmosphere where you can get it down to its bare essence, that you can economically execute a trade for eight bucks."

Today's day-traders are the early adopters of new technology that will lead to even more extreme evolution of the markets, he said.

"I do see the attendant risk related to it for individuals doing it," Battipaglia said. But he also views trading in an electronic environment as a "a natural evolution of equity investment for individuals."

"It raises the consciousness and understanding of how markets work, and it puts pressure on the industry to become more efficient, and it may even change the way the industry conducts its business," he said.

Twenty-four-hour-a-day trading in the near future is a given, Battipaglia said.

On the other hand, the chief of the National Association of Securities Dealers is expressing concern about day-trading and its excesses.

In February, Frank Zarb wrote to the chief executives of the group's 5,000 member firms, warning them about the dangers posted by day-trading and "the sometimes frenetic activity in the market place so far this year. . ."

One of his main concerns was "that some firms may be extending credit inappropriately."

"We are also being told that some firms are encouraging their customers to cover for each other's debts at the end of the day so that everything looks fine by the time regulators scrutinize their books," Zarb wrote.

"We also need to be certain that advertising and promotional materials are not setting unrealistic expectations about the opportunity to profit through day-trading or about investors' ability to 'instantaneously' access markets during these volatile times."

Perhaps Zarb should have a chat with David Nassar, president and chief executive of Market Wise Trading Inc., which specializes in providing electronic direct-access trading via the Internet and through his firm's branch office system.

Nassar wrote a book, copyright 1999, titled "How to Get Started in

On the Web

For Web sites dedicated to online trading and trader information, go to www.newscoast.com.

Electronic Day Trading."

The subtitle: "Everything you need to know to play Wall Street's Hottest Game."

Seeking continuity

While the pundits debate the pros and cons of a sociological phenomenon, Rev Shark just sits in his swivel chair and makes money.

Things have been a little slowly lately, he admits, but he claims that during the four months from the beginning of October to the end of January, he averaged \$40,000 a week in clear profits.

The Rev's offices take up most of the ground floor of a grand three-story island home that he shares with his wife, Gail, and their border collie, Bandit.

He was hard at work early one day last week, scouring wire news for hot tips, and found a way to make a few thousand before a scheduled appointment with the dentist.

"One of the things that's real important to me when I trade is continuity," he said, irritated by the disruption.

Even so, Rev Shark is happy with his latest acquisition, a contact lens maker with the ticker symbol of CTAC. He picked it up as the market opened at 9:30 a.m.

By the time his molar was filled, his 2,000 shares at \$11.50 had blossomed into a \$12.25 up-and-comer that was showing a telltale sign of further blossoming — unusually high volume.

He tried to restore his empathy with CTAC as he talked to a reporter, calling up a trading log that showed him every single transaction that had occurred in the shares during the day.

He was getting this data dose from an expensive service called NASDAQ Level II market data system.

Having it at your home is a symbol of your arrival as a day-trader who counts.

When he looks up a stock quote, there is no 15-minute delay. He sees instant quotes from every single market maker, using the same format that a New York City mutual fund manager would use.

Staff writer Michael Pollick can be reached by telephone at (941) 957-5142 or by e-mail at bizwizguy@aol.com.